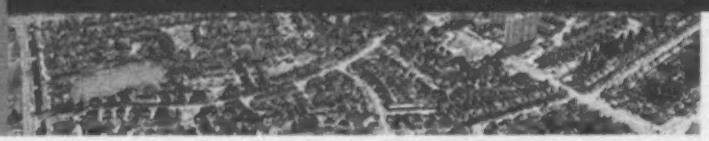
HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Barrie CMA



Canada Mortgage and Housing Corporation

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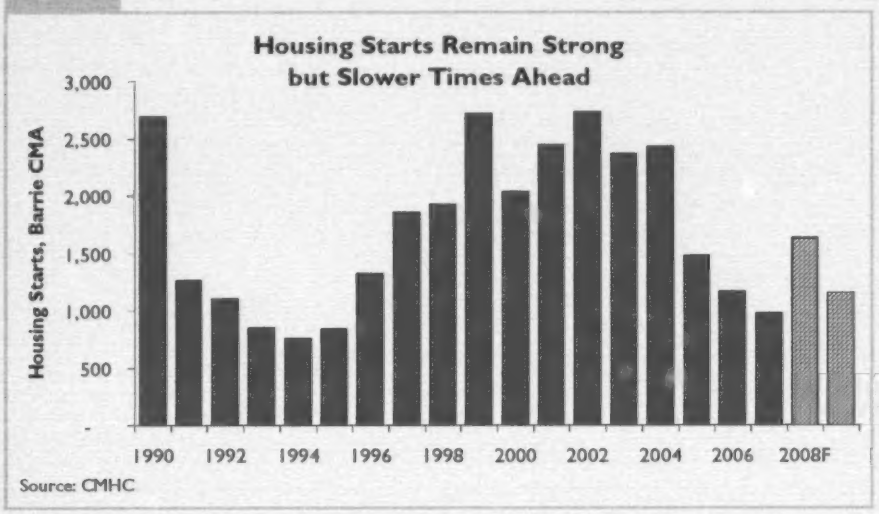
New Homes Market

New Home Construction Losing Steam

New house starts are expected to be up strongly in 2008, but moderate in 2009. Post 2010 and until 2012, new construction will pick up. Single-detached homes, the historically preferred housing type in Barrie, will continue to represent the majority of all new construction in the area, but apartments will carve out a bigger share of the pie over the forecast horizon. After strong growth in 2008 new home prices will grow modestly in 2009.

Overall, over 1,600 new starts are expected this year, a significant jump upwards of over 60 per cent from the previous year. The significant increase in starts this year can be

Figure 1



Source: CMHC

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attributed to a substantial increase in apartment starts. The robust growth in new starts will subside over the next few years as the economy decelerates and the high number of apartment starts decrease. As a result, post 2010 until 2012, housing starts will grow at a more subdued pace and average about 1,200 new starts.

Single-detached homes will account for the majority of new housing being built not only this year but also next year. Apartment starts will make up over 20 per cent of all construction in each of the next two years. Apartment starts will make up an increasing share of total construction since there is less available land for housing development and they are the most affordable new housing option.

The price of a new home is expected to average $353,000 in 2008. In addition to the general appreciation of house prices, the average is being pulled up by the mix of houses being built. In Springwater Town and Innisfil Town, homebuilders are building larger homes which command higher prices and thus drive up the average price in the CMA. From January to June of this year, new homes in the Barrie CMA averaged 271 square metres. During the same period, homes in Springwater averaged 919 square metres and in Innisfil 267. By contrast, homes in Barrie City averaged 190 square metres.

This strong price growth will slow next year as home buyers become more cautious. As a result, the average price will increase two per cent to $361,000 in 2009.

Existing Homes Market

Existing Homes Market Continues to Ease

Sales of existing homes in 2008 will moderate from 2007. They will ease again in 2009. Following a strong 2007, for both the new homes and existing homes markets, some of this momentum will continue for new listings in 2008 and 2009. The sales-to-new listings (SNL) ratio, which over the last few years has indicated the resale market favoured sellers, will ease down in both 2008 and 2009 as supply and demand become balanced. Prices of existing homes will grow at a rate a little over two per cent this year and next.

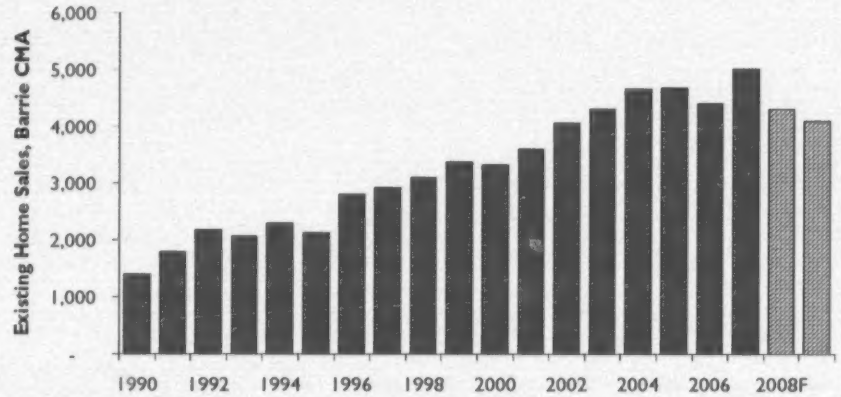
In 2008, sales of existing homes will moderate by just over 14 per cent from the record set in 2007. The 4,300 units expected to change hands this year is a strong number and remains well above the average for the current cycle. The easing in existing homes sales will continue into 2009 with 4,100 units exchanging hands, a drop of five per cent. The moderation in existing home sales can be attributed to a weaker job market and higher prices.

Given the price appreciation in Barrie's housing market, the number of existing homes being put on the market for sale will continue to rise in 2008. Listings will rise by close to two per cent in 2008 to 8,000 new listings. Despite the economy and markets easing in the latter part of 2008 and into 2009 the number of new listings will continue to increase. Listings next year are expected to increase by just over six per cent to 8,500 new listings.

The SNL ratio will move into "balanced market" territory this year and will stay there for 2009. Over the next two years the SNL will stay in the 48-53 per cent range. Following very strong price appreciation of existing homes last year the price growth this year and next will continue to be positive but more moderate than in 2007. The average price of an existing home in 2008 will report growth of just over 2 per cent to $268,000 and

Figure 2

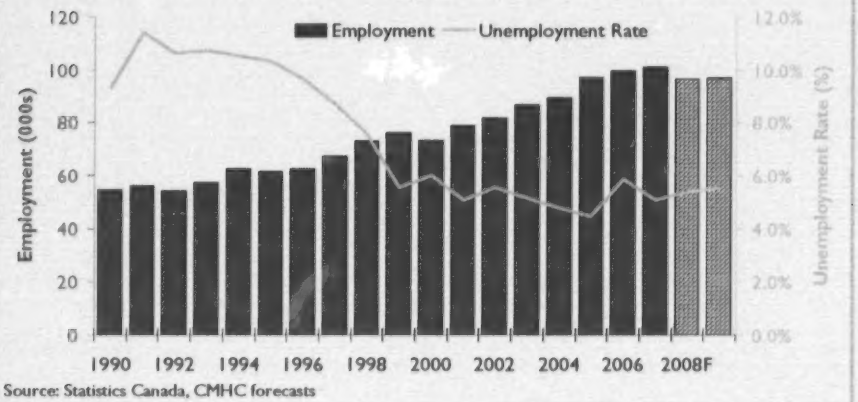
Resale Home Sales Slowing Down



Source: CREA, CMHC forecasts

Figure 3

Barrie CMA Total Employment and Unemployment Rate



Source: Statistics Canada, CMHC forecasts

similarly, next year prices will grow by slightly less and settle at $274,000

Economy

Labour Market

Employment will ease in 2008 but begin to edge up in 2009. Consequently the unemployment rate will increase only marginally in both years.

Given some moderation in key sectors such as trade, construction, and finance, insurance, and real estate, total employment in Barrie will dip just over four per cent this year to 96,500. For 2009, the prospects should begin to improve as the global economy begins to recover and the Canadian dollar stabilizes to more "trade friendly" levels. Employment is expected to grow by less than one per cent with a majority of the growth coming from part-time labour rather than more stable full-time employment.

The weak labour growth will force the unemployment rate slightly up over the next two years. The unemployment rate is expected to be in the 5.4-5.6 per cent range over the next two years.

Net migration, the difference between people moving to and residents leaving Barrie, will average 5,500 people in 2008 and 2009, a drop of 15 per cent from 2007. Given the cooling labour market, fewer people will be moving to Barrie. Net migration has been one of the significant components of population growth. About 30 per cent of workers living in Barrie commute to Toronto and its surrounding communities daily. They moved to Barrie because homes cost less there. Despite rising gasoline prices, the home price advantage remains considerable. The majority of workers commute to the City of Toronto, where house price advantage would be gone only if gasoline prices reach $1.90 per litre. Higher gasoline costs are unlikely to lead to changes in migration and commuting patterns.

Mortgage Rates

Mortgage rates are expected to be relatively stable throughout the last quarter of this year, remaining within 25-50 basis points of their current levels. Posted mortgage rates will decrease slightly in the first half of 2009 as the cost of credit to financial institutions eases. Rising bond yields, however, will nudge mortgage rates marginally higher in the latter half 2009. For the last quarter of 2008 and in 2009, the one year posted mortgage rate will be in the 6.00-6.75 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.50-7.25 per cent range.

Figure 4

Mortgage Rates Will Remain Relatively Flat

Source: Bank of Canada

Forecast Summary Barrie CMA Fall 2008	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	4,675	4,397	5,017	4,300	-14.3	4,100	-4.7
MLS® New Listings	7,451	8,001	7,871	8,000	1.6	8,500	6.3
MLS® Average Price ($)	232,045	244,394	258,999	268,000	3.5	274,000	2.2
New Home Market							
Starts:							
Single-Detached	1,219	972	746	1,080	44.8	850	-21.3
Multiples	265	197	234	550	135.0	300	-45.5
Semi-Detached	48	26	14	15	7.1	10	-33.3
Row/Townhouse	217	109	127	35	-72.4	23	-34.3
Apartments	0	62	93	500 **		267	-46.6
Starts - Total	1,484	1,169	980	1,630	66.3	1,150	-29.4
Average Price ($):							
Single-Detached	252,715	307,948	329,505	352,900	7.1	360,500	2.2
New Housing Price Index (% chg. Ontario)	4.6	3.7	2.6	n/a	-	n/a	-
Rental Market							
October Vacancy Rate (%)	2.1	2.8	3.2	3.0	-	3.0	-
Two-bedroom Average Rent (October) ($)	909	906	934	949	1.6	954	0.5
Economic Overview							
Mortgage Rate (1 year) (%)	5.06	6.28	6.90	6.75	-	6.31	-
Mortgage Rate (5 year) (%)	5.99	6.66	7.07	7.05	-	6.92	-
Annual Employment Level	97,100	99,400	100,800	96,500	-4.3	96,800	0.3
Employment Growth (%)	8.6	2.4	1.4	-4.3	-	0.3	-
Unemployment rate (%)	4.8	6.0	5.0	5.4	-	5.6	-
Net Migration (Simcoe County) (1)	7,255	6,509	6,500	5,500	-15.4	5,500	0.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = apartments 3+
(1) 2007 migration data is forecasted

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